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Dubai investment push faces various challenges

Phoenix Business Journal - by [Mike Sunnucks](#) Phoenix Business Journal

An ambitious mayor, a corporate-minded university president, and a chorus of real estate developers and CEOs walk in-to an opulent Arab sheikdom ...

They hope to get a piece of those Persian Gulf riches and bring them back to the Arizona desert, but there could be some pitfalls and costs to that pilgrimage.

That is what the Valley faces as Phoenix Mayor Phil Gordon, Arizona State University President Michael Crow and a host of business leaders look to attract investments from and forge economic links with wealthy Dubai.

The Persian Gulf city-state offers Arizona an overflowing chalice of foreign investment and private equity cash, in part because of the weak U.S. dollar.

With all that wealth, however, come questions about Middle Eastern investments in the state, as well as human rights criticism of Dubai's treatment of migrant laborers.

Lisa Von Bargen, president of **Beyond Implementation Inc.**, a Phoenix-based business consulting firm, said private equity and sovereign investments from the Middle East need to be monitored for security reasons and their long-term impact on the Arizona marketplace.

"You need to see who is really taking ultimate ownership in the investment," she said.

Western governments have concerns about drug cartels and terrorist groups laundering money via Persian Gulf banks.

Von Bargen said how much of the investment proceeds and benefits stay in the Phoenix market also needs to be considered. Still, she said Phoenix needs foreign money in light of the U.S. economic swoon and weak dollar. "We have to keep looking outward."

More U.S. investment

Glenn Williamson, CEO of Nest Ventures LLC, a Phoenix private equity firm, said growth markets such as Singapore, China, United Arab Emirates, Saudi Arabia and Russia are flush with new money, but "these countries' economies cannot process this amount of money. They do not have the financial infrastructure in place yet."

He said that means wealthy investors from markets such as Dubai are looking to invest in the U.S. Those investments include real estate acquisitions, gobbling up companies or investing in entrepreneurial ventures.

David Dewar, principal of **Trillium Residential LLC**, is a major backer of Phoenix's Dubai effort, saying the region needs to step onto the global stage and attract more foreign investment.

"Sovereign states are bringing a lot of wealth into the U.S.," he said. "It's a strong investment opportunity for them."

Dewar said Phoenix needs foreign investment to vault onto the global stage.

"I'm really looking at it as a benefit to Phoenix," Dewar said.

Dubai is part of the UAE and has fast become a financial mecca because of its increasing wealth. In an April 10 presentation to Valley business leaders, Gordon said he can attest to Dubai's financial prowess.

The Phoenix Business Journal was one of the lead sponsors of the Phoenix Global Trade Initiatives forum.

The mayor traveled to Dubai and met with Mohamed Ali Alabbar, head of development firm **Emaar Properties PJSC**.

Emaar is one of the largest real estate development outfits in the world, with affluent housing and commercial projects in Saudi Arabia, Syria, Egypt and Pakistan. Emaar also owns U.S. home builder John Laing Homes.

Emaar officials did not respond to requests for comment.

Dubai has had a booming commercial and residential real estate market boasting extravagant mansions, a skyline rivaling Manhattan's and the tallest skyscraper in the world (the Burj Dubai).

Facing criticism

But Dubai's real estate and financial booms have sparked some criticism regarding its treatment of migrant workers.

Human Rights Watch and **Amnesty International** fault Dubai and other UAE city-states for their treatment of migrant workers in the construction sector and as domestic servants, often for low pay.

New York-based HRW estimates migrant construction workers in Dubai make \$100 to \$200 a month. That translates into 63 cents to \$1.25 per hour.

HRW said most of those workers are from South Asia, and they sometimes work in harsh and unsafe conditions.

"We all know Dubai's growth is occurring on the backs of migrant workers," said state Rep. Theresa Ulmer, D-Yuma, who is concerned about increasing Arizona ties to the city-state.

Amnesty International representatives said flogging and stoning still are on the legal books in the UAE.

Gordon and other backers of the Dubai effort said the city-state is a growing international commercial hub with a Western-style marketplace and freedom of expression outpacing the rest of the region.

Houston contractor Halliburton Inc. is looking to move its corporate headquarters to Dubai. **Halliburton** executives said the move is aimed at growing its international business. Ulmer said the company is looking to avoid scrutiny of its Iraq War contracts and U.S. taxes.

"When I hear Dubai, I instantly think of Halliburton," she said.

Dubai also was the home of **Dubai Ports World**, which eventually pulled out of a politically and culturally charged bid that would had the company take over security for several major U.S. ports.

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